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March 10, 2000

Ms. Magalie R. Salas, Secretary
Federal Communications Commission
445 12th Street S.W., TW-A325
Washington, D.C. 20554

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MAR 10 2000
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

RE: Access Charge Reform for Incumbent Local
Exchange Carriers Subject to Rate-of Return
Regulation
CC Docket No. 98-77

Federal-State Joint Board on Universal Service
CC Docket No. 96-45

Dear Ms. Salas:

On Thursday, March 9, 2000, the undersigned, on behalf of the National Telephone Cooperative Association; David Cohen, USTA; and Margot Humphrey, NRTA met with Rebecca Beynon, Legal Advisor to Commissioner Furchtgott-Roth. During the meeting, the MAG discussed a proposed framework for the reform of the interstate access charge structure that is currently applicable to incumbent local exchange carriers subject to rate of return regulation. The attached summary of the presentation was provided to Ms. Beynon and is being provided to you for inclusion in the record in the above-referenced dockets.

In accordance with the FCC's rules, I am submitting two copies of this letter. If you have any questions, please do not hesitate to contact me.

Sincerely,

L. Marie Guillory (RIB)

L. Marie Guillory
Vice-President
Legal and Industry

Attachment

cc: Rebecca Beynon

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MAG PLAN FOR RATE OF RETURN REGULATED SERVICES

I. Blueprint for Transition to Post-Rate of Return (ROR) Regulation

Responds to Chairman Kennard's challenge to develop a "holistic" plan for ROR ILECs' that would resolve pending universal service, access charge, separations and rate of return proceedings, move from ROR to incentive regulation and follow the intent of Congress.

Access Reform

- ❑ Prescribes transition for ROR ILECs to Price Cap (PC) SLC caps. Lowers usage-based Carrier Access Rates (CAR) to prescribed levels for NECA pool members.
- ❑ Prescribes NECA pool settlements based on frozen pre-incentive plan ROR revenues per line adjusted annually for inflation and recovers the pool's residual revenue requirement (beyond the prescribed SLC and access revenues) through a flat-rated Bulk Access Charge (BAC) on access customers.
- ❑ Assumes IXC's will pass through access savings in lower long distance charges, eliminate minimum long distance charges and PICCs and allows IXC's to comply fully with the statutory geographic toll rate averaging mandate, including nationwide availability of optional calling plans.
- ❑ For ILECs that leave NECA pools in return for greater pricing flexibility, prescribes parallel SLCs and initial CAR levels, but does not permit a BAC.
- ❑ Assumes LEC industry proposal on separations freeze.

Incentive Regulation

- ❑ Allows each study area up to a 5-year transition period to settle with NECA pools under current cost-based ROR or frozen average schedule formulas, current universal service provisions and frozen 11.25 % ROR before frozen-revenue-per-line incentive-based regulation becomes mandatory and universal service support is frozen on a per line basis.
- ❑ Permits a Low End Adjustment Formula (LEAF) showing that would bring returns for single- and multi-study area ILECs with RORs below specified levels to a backstop set below the 11.25% frozen ROR and narrowly tailored temporary exemptions.

Universal Service Reform

- ❑ Immediately removes "interim" cap on high cost loop support and disaggregates support per line into three zones. When a study area begins incentive regulation, freezes universal service support flows at current levels, subject to annual inflation adjustments and sufficient additional frozen support when the definition of supported services evolves.

II. Benefits of the MAG Plan

Consumer Rates – Congress intends its universal service principles to provide rural and urban consumers affordable, reasonably comparable rates and reasonably comparable availability of all services, including interexchange, advanced and information services, and requires geographic toll rate averaging.

- ❑ MAG insures that SLCs for rural customers in ROR companies' service areas do not exceed the "reasonably comparable" level by capping at PC SLC caps.
- ❑ Reduces toll rates for all customers by enabling IXC to pass through substantial access savings.
- ❑ Eliminates millions of dollars in PICC charges currently imposed by IXCs on ROR ILEC customers although ROR companies are not subject to PICCs.
- ❑ Enables IXCs to charge geographically averaged toll rates and make optional calling plans available to rural customers and substantially narrows the disparities between access charges of PC and ROR ILECs that now drive IXC efforts to deaverage, reduce rural service and limit optional calling plan availability.
- ❑ Assumes elimination of "low volume" minimum toll charges from rural ILEC customers' telephone bills.
- ❑ Removes arbitrary caps that withhold necessary and sufficient high cost support.
- ❑ Increases Lifeline support for low-income customers per CALLs plan.

Consumer Services – Congress intends broadband capabilities and advanced services to benefit rural areas.

- ❑ Stable and predictable revenues and support encourage deployment of new network capabilities and services.
- ❑ Alleviates obstacles to rural network investment caused by today's regulatory uncertainties and unfunded mandates.

Efficiency Benefits

- ❑ Encourages carriers to control costs through incentive-based frozen revenue per line access and support levels.
- ❑ Moves recovery of non-traffic sensitive costs towards flat rate basis.
- ❑ Fairly allocates the costs of originating and terminating interstate long distance services.
- ❑ Eliminates the routine need for costly and burdensome cost studies and development of average schedules, while maintaining pooling.
- ❑ Lessens regulatory costs by providing a comprehensive resolution of issues and phase-out of ROR regulation.